

## Bulletin

### **IDC's 2000 U.S. Web Spending Model: Forecast and Analysis by Vertical Industry**

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#### **IDC Opinion**

*Do businesses' Web spending patterns vary by vertical industry, and will such variances affect their IT needs?*

Planned spending by vertical industry indicates that four distinct groups of industries — Web disciples, Web aggregators, Web connectors, and Web resisters — have distinct priorities when it comes to investing in Web technologies and services.

Web disciples are simultaneously building Web infrastructure for internal and external needs and require solutions that offer a common set of network and application services for both environments. The other groups will focus primarily on enhancing either existing internal business solutions or outward-facing ecommerce initiatives, but not both. Integration rather than replacement with existing business systems will be the critical requirement for these industries.

The purpose of this bulletin is to explore the Web spending trends in key vertical industries as well as the trends that are taking place among industries that are logically related. Web spending, as a whole, continues to grow as companies expand their business-to-consumer (B2C) and business-to-business (B2B) efforts. Although B2C has received much of the recent focus, many industry leaders are only now making significant investments to incorporate this sales mechanism into their overall selling strategy.

In the B2B space, many of the efficiencies promised by ecommerce and Internet-based supply-chain solutions promise to quickly surpass those associated with electronic data interchange (EDI) and proprietary trading networks. Whereas EDI and proprietary networks brought efficient gains for large businesses, B2B ecommerce via the Internet opens up that functionality to smaller companies and companies that are more geographically dispersed.

Beyond the promise of ecommerce, industries are also looking to leverage Web technologies within existing internal business processes such as purchasing, procurement, and inventory management. These ebusiness initiatives, while less visible to the outside world, are critical prerequisites to outward-facing ecommerce initiatives and continue to drive much of the real investments in Web hardware, software, and network infrastructure.

IDC's U.S. Web Spending Model is a demand-side research tool that reports on current and future Web investments of U.S.-based companies across 14 vertical industries. This bulletin presents the vertical industry breakouts from the IDC U.S. Web Spending Model, version 2.3, and is a follow-on to a previously published IDC bulletin (see *The 2000 U.S. Web Spending Model, Version 2.3*, IDC #21683, March 2000).

Additional analysis of Web spending trends by the IT sector will be provided in a separate bulletin.

### Methodology

IDC's U.S. Web Spending Model is based on IDC's U.S. IT Spending Model, established in 1997. The U.S. IT Spending Model was designed to forecast total U.S. IT spending by industry and size of company, based on number of employees. IDC's U.S. Web Spending Model uses the same structure as the U.S. IT Spending Model and also takes the forecast of total U.S. IT spending as an input for forecasting total U.S. Web spending.

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The foundation of both models is the total number of companies and their associated revenue. Various sources, both primary and secondary, are used to develop an accurate picture of the total U.S. market. Comparisons to standard metrics, such as GDP growth, are used to adjust the data.

Various IDC forecasts (e.g., PC penetration into U.S. households or growth in small business) are then applied to the model's foundation, for not all U.S. consumers or small businesses will be spending money on IT by 2003. The result of this phase is a picture of the total U.S. IT market population.

The final phase of the model looks at IT spending behavior. IS operating budgets, IT capital budgets, and IT spending by business units other than IS (e.g., marketing and research and development) are examined. Survey data from all of IDC is available for the model, but the key IDC surveys include the *Global IT Survey*, the *Small Business Survey*, and the *U.S. Home Media Consumer Survey*. Some targeted surveys, such as IDC's *Year 2000 Survey*, are helpful in understanding the dynamics of various cells in the model.

IDC's U.S. Web Spending Model then expands on the U.S. IT Spending Model by adding a Web dimension. The U.S. Web Spending Model is limited to forecasting total U.S. Web spending by industry and size of company. Future versions of the U.S. Web Spending Model will include data for the Internet, intranets, and extranets, as well as a hardware, software, and services breakdown.

Table 1 shows the industries covered in the model:

**Table 1**  
**Industries Covered in IDC's U.S. Web Spending Model**

| Industry                                   | Notes   |
|--|---|
| Banking                                    |   |
| Communications                             |   |
| Construction and building maintenance      |   |
| Discrete manufacturing                     |   |
| Education                                  |   |
| Finance                                    | Includes credit card holding companies and brokerages |
| Government                                 |   |
| Healthcare                                 |   |
| Insurance                                  |   |
| Media                                      | Includes printing and publishing                      |
| Process manufacturing                      |   |
| Resource industries                        |   |
| Retail                                     |   |
| Services                                   |   |
| Transportation and transportation services |   |
| Utilities                                  |   |
| Wholesale trade                            |   |

Source: IDC, 2000

The 2000 U.S. Web Spending Model is a follow-on to last year's version (see *Internet Futures Spending Model, 1997-2002: Business Gears Up for eCommerce*, IDC #17999, January 1999).

#### **Related IDC Research**

- *Western European Internet Market Forecast and Review, 1998-2003* (IDC #104F, December 1999)
- *Motivating the Solutions Buyer* (IDC #21333, December 1999)
- *Insider: The Growing Pains of Business-to-Business eCommerce* (IDC #21220, December 1999)
- *Small Business eCommerce: Definitions, Taxonomy, and Forecasts* (IDC #21100, December 1999)
- *Investing in eCommerce: A Benchmark for Fortune 500 Companies* (IDC #20885, November 1999)
- *U.S. IT Spending and Internet Trends by Company Size and Core System, 1999* (IDC #20875, November 1999)
- *U.S. Small Business Web Spending, 1998-2003* (IDC #19807, September 1999)
- *Internet Impact on Enterprise Application Vendors* (IDC #LC01F, June 1999)

#### **Definitions**

##### ***Web Spending***

Web spending is the percentage of overall IT spending, including end-user or other department IT spending, currently devoted to Web-based (Internet/intranet) systems. It includes systems, software, hardware, and consulting, as well as internal spending on the IS staff that manages the Web sites and develops Web content.

##### ***IT Spending***

IT spending comprises the total amount that organizations spent for information technology. The category includes IS operating budgets, IT capital budgets, and IT spending by business units other than IS (e.g., marketing and research and development).

##### ***Internal Spending***

Internal spending comprises companies' IS budgets, including staff salaries and benefits as well as capital expenditures, for all U.S. business units in a given company.

##### ***External Spending***

External spending covers spending for IT products such as servers, desktops, systems, software, and network equipment. It also covers spending on professional services including spending on

outsourcing services. Spending on telecommunications services for voice and data services is *not* included in these spending figures.

#### ***U.S.-Only Spending***

This model does not include spending on IT by foreign companies, governments, educators, or foreign business units of U.S. companies.

#### ***Industry Spending***

Each industry in the survey is defined according to the appropriate two-digit Standard Industrial Code (SIC). These definitions may vary from those used in other IDC research. Government includes all public administration, defense, and justice activities. Education includes all institutions dedicated to academic and/or technical/vocational instruction, except certain training environments included in social services.

#### **Overall U.S. Web Spending Trends**

By 2003, 27.0% of all IT spending by U.S. companies will be in direct support of internal and external Web initiatives, up from just 12.1% in 1999. Rising ecommerce and general ebusiness investments by companies in all industries and of all sizes will drive total Web spending in 2000 to \$119.0 billion, a 38.5% increase over 1999. By 2003, Web spending will reach \$282.4 billion for 1999 to a 2003 compound annual growth rate (CAGR) of 34.6%, compared with a CAGR of 10.2% for overall IT spending (see Table 2).

Relative to company size, businesses at the extremes (largest and smallest) will allocate a greater portion of overall IT spending to Web initiatives in the coming years, though companies of all sizes will significantly increase investments (see Figure 1).

(For more information on this figure, see Table 4 in *The 2000 U.S. Web Spending Model, Version 2.3*, IDC #21683, March 2000.)

For large companies, a significant portion of this Web spending will focus on migrating existing internal business applications to a Web environment. Conversely, small business spending will focus more on directly leveraging and integrating with emerging Internet-based services such as application service provider (ASP) delivered applications and industry-specific emarketplaces.

From the perspective of absolute spending (see Table 3), U.S. *business services* is by far the largest segment, with Web spending reaching \$63.6 billion in 2003 (22.3% of all U.S. Web spending). The next closest vertical is U.S. *wholesale trade*, with 2003 spending levels of \$30.0 billion (10.5% of all U.S. Web spending). U.S. *transportation and transport services* has the highest CAGR from 1999 to 2003 (83.2%). The only other industry with a CAGR over 50% is U.S. *business services* (51.2%), while the industry with the lowest 1999 to 2003 CAGR (16.3%) is *communications and media*.

**Table 2**  
**U.S. IT and Web Spending, 1999-2003 (\$M)**

|   | 1999    | 2000    | 2001    | 2002    | 2003      | 1999-2003<br>CAGR (%) |
|---|---------|---------|---------|---------|-----------|-----------------------|
| Total IT spending                           | 710,103 | 771,702 | 852,378 | 937,716 | 1,047,849 | 10.2                  |
| Growth (%)                                  | NA      | 8.7     | 10.5    | 10.0    | 11.7      |                       |
| Total Web spending                          | 85,950  | 119,002 | 172,257 | 224,501 | 282,424   | 34.6                  |
| Growth (%)                                  | NA      | 38.5    | 44.8    | 30.3    | 25.8      |                       |
| Total Web spending<br>as a % of IT spending | 12.1    | 15.4    | 20.2    | 23.9    | 27.0      |                       |

**Key Assumptions:**

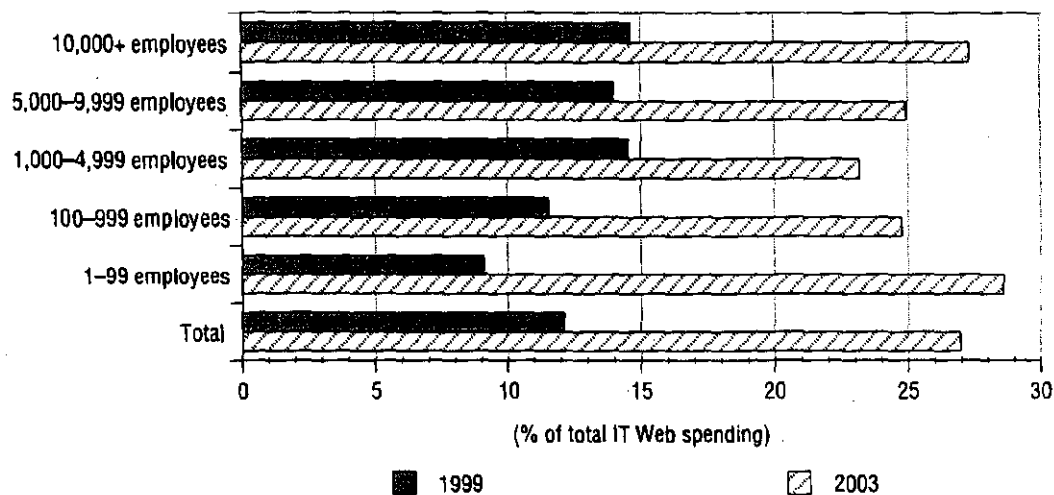
- Web spending includes all funding that is currently devoted to Web-based (Internet/intranet) systems. This includes systems, software, hardware, consulting, and internal IS staff.
- Small businesses that have not made major investments before now will become a major driver of new growth.
- Medium-sized and large businesses will extend their Web sites by adding transactions and ecommerce functions.
- Large businesses will integrate the Web with their existing internal systems.

**Messages in the Data:**

- The Web-spending space continues to reinvent itself with new markets (such as B2B), new business models (vertical marketplaces), and new needs (ERP/Web integration).
- Vendors should concentrate development on Web-related products and services. Turnkey solutions and nonproprietary systems will reassure customers that are wary of making long-term commitments in a changing environment.
- Vendors should create Web strategies for existing products and services.

Source: IDC, 2000

**Figure 1**  
**U.S. Web Spending as a Percentage of Total IT Spending by Company Size, 1999 and 2003**



Source: IDC, 2000

**Table 3**  
**U.S. Web Spending, Growth, and Share of Total IT Spending by Vertical Industry, 1999-2003**

|                                       | 1999         | 2000          | 2001          | 2002          | 2003          | 1999-2003<br>CAGR (%) |
|---------------------------------------|--------------|---------------|---------------|---------------|---------------|-----------------------|
| <b>Web spending (\$B)</b>             |              |               |               |               |               |                       |
| Banking                               | 5.37         | 8.90          | 18.18         | 21.09         | 24.60         | 46                    |
| Insurance                             | 7.74         | 10.73         | 13.92         | 17.20         | 20.30         | 27                    |
| Financial services                    | 2.97         | 4.00          | 4.96          | 6.24          | 7.96          | 28                    |
| Discrete manufacturing                | 15.26        | 17.97         | 21.05         | 24.28         | 27.62         | 16                    |
| Process manufacturing                 | 5.73         | 9.54          | 16.39         | 20.15         | 25.23         | 45                    |
| Retail                                | 4.19         | 4.99          | 6.67          | 8.02          | 9.70          | 23                    |
| Wholesale                             | 6.11         | 9.22          | 14.20         | 20.58         | 30.02         | 49                    |
| Transportation and transport services | 0.53         | 1.11          | 2.73          | 5.10          | 5.95          | 83                    |
| Communications and media              | 5.49         | 6.48          | 7.48          | 8.75          | 10.06         | 16                    |
| Utilities                             | 2.53         | 2.50          | 2.94          | 3.86          | 5.34          | 21                    |
| Healthcare                            | 4.31         | 5.51          | 6.99          | 8.95          | 11.49         | 28                    |
| Education                             | 2.21         | 2.71          | 3.39          | 4.29          | 5.49          | 26                    |
| Services                              | 12.17        | 19.50         | 32.11         | 47.77         | 63.64         | 51                    |
| Government                            | 7.64         | 10.59         | 14.77         | 20.66         | 25.26         | 35                    |
| Construction                          | 2.91         | 4.22          | 5.04          | 5.53          | 6.79          | 24                    |
| Resource industries                   | 0.77         | 1.04          | 1.44          | 2.04          | 2.98          | 40                    |
| <b>Total</b>                          | <b>85.95</b> | <b>119.00</b> | <b>172.26</b> | <b>224.50</b> | <b>282.42</b> | <b>35</b>             |
| <b>Web spending growth (%)</b>        |              |               |               |               |               |                       |
| Banking                               | 26           | 66            | 104           | 16            | 17            |                       |
| Insurance                             | 72           | 39            | 30            | 24            | 18            |                       |
| Financial services                    | 41           | 35            | 24            | 26            | 28            |                       |
| Discrete manufacturing                | 34           | 18            | 17            | 15            | 14            |                       |
| Process manufacturing                 | 44           | 67            | 72            | 23            | 25            |                       |
| Retail                                | 41           | 19            | 34            | 20            | 21            |                       |
| Wholesale                             | 41           | 51            | 54            | 45            | 46            |                       |
| Transportation and transport services | 104          | 110           | 146           | 87            | 17            |                       |
| Communications and media              | 19           | 18            | 15            | 17            | 15            |                       |
| Utilities                             | 44           | -1            | 18            | 31            | 38            |                       |
| Healthcare                            | 64           | 28            | 27            | 28            | 28            |                       |
| Education                             | 24           | 23            | 25            | 26            | 28            |                       |
| Services                              | 69           | 60            | 65            | 49            | 33            |                       |
| Government                            | 59           | 39            | 39            | 40            | 22            |                       |
| Construction                          | 64           | 45            | 20            | 10            | 23            |                       |
| Resource industries                   | 26           | 34            | 38            | 42            | 46            |                       |

**Table 3**  
**U.S. Web Spending, Growth, and Share of Total IT Spending by Vertical Industry, 1999-2003**

|  | 1999 | 2000 | 2001 | 2002 | 2003 | 1999-2003<br>CAGR (%) |
|--|------|------|------|------|------|-----------------------|
| Web spending as a percentage<br>of total IT spending (%) |      |      |      |      |      |                       |
| Banking  | 7.1  | 11.0 | 20.6 | 21.8 | 23.1 |                       |
| Insurance  | 17.2 | 22.3 | 26.7 | 30.2 | 32.6 |                       |
| Financial services                                       | 13.3 | 16.3 | 18.1 | 20.0 | 22.3 |                       |
| Discrete manufacturing                                   | 22.2 | 23.6 | 24.9 | 25.8 | 26.3 |                       |
| Process manufacturing                                    | 10.2 | 15.8 | 24.4 | 26.8 | 29.6 |                       |
| Retail   | 11.7 | 13.1 | 16.1 | 17.6 | 19.5 |                       |
| Wholesale  | 7.5  | 10.3 | 14.3 | 19.9 | 26.3 |                       |
| Transportation and transport services                    | 3.5  | 7.1  | 16.0 | 27.2 | 28.7 |                       |
| Communications and media                                 | 18.2 | 20.8 | 22.5 | 24.6 | 26.2 |                       |
| Utilities  | 16.3 | 13.8 | 13.6 | 14.9 | 16.9 |                       |
| Healthcare   | 9.5  | 10.9 | 12.3 | 13.9 | 15.9 |                       |
| Education  | 16.2 | 18.6 | 21.3 | 24.4 | 28.0 |                       |
| Services   | 10.6 | 15.3 | 22.2 | 29.0 | 33.6 |                       |
| Government   | 12.2 | 16.1 | 21.3 | 28.2 | 32.7 |                       |
| Construction   | 19.5 | 25.9 | 27.8 | 29.2 | 31.9 |                       |
| Resource industries                                      | 5.8  | 7.4  | 9.7  | 13.1 | 17.9 |                       |

**Key Assumptions:**

- Web spending refers to both internal and external spending and takes into account systems, software, consulting, and IT staff.
- There are great variations in the amount industries spend over time.
- Web spending as a percentage of total IT spending is the amount of spending devoted to Web-related development.

**Messages in the Data:**

- Vendors should take into account both the amount an industry is spending and needs specific to that industry.
- Percentage changes in spending over time will be a good indication of future opportunities in a given vertical industry.
- Web spending is not simply the development of a Web presence but increasingly includes the webification of traditional systems, such as EDI.

Source: IDC, 2000

### **Forecast Assumptions**

U.S. economic conditions remain stable throughout the forecast period.

The number of companies per industry are assumed to be constant through 2003, with the exception of very small companies (with fewer than 100 employees). IDC assumes the number of these companies will grow at an average rate of 1.8% per year.

### **Overall IT Spending Assumptions**

The amount of company revenue apportioned to the IS operating budget is constant with the exception of a modest increase in 1999 and 2000.

The portion of the IS operating budget attributed to internal staff spending is constant through 2003, at 37%, while the portion of the operating budget assigned to capital depreciation is constant at 11%.

Increases in overall IT spending stem almost entirely from increased IT spending by business units.

### **Web Spending Assumptions**

- Web technology will become an integral element of companies' overall IT environment by 2003.
- Web spending will increasingly be allocated to outward-facing Internet and ecommerce services rather than inward-facing intranet applications.
- In small and medium-sized businesses, a growing portion of Web spending will be for hosting and ASP services rather than internal staff.

### **Web Spending Trends: Industry Profiles**

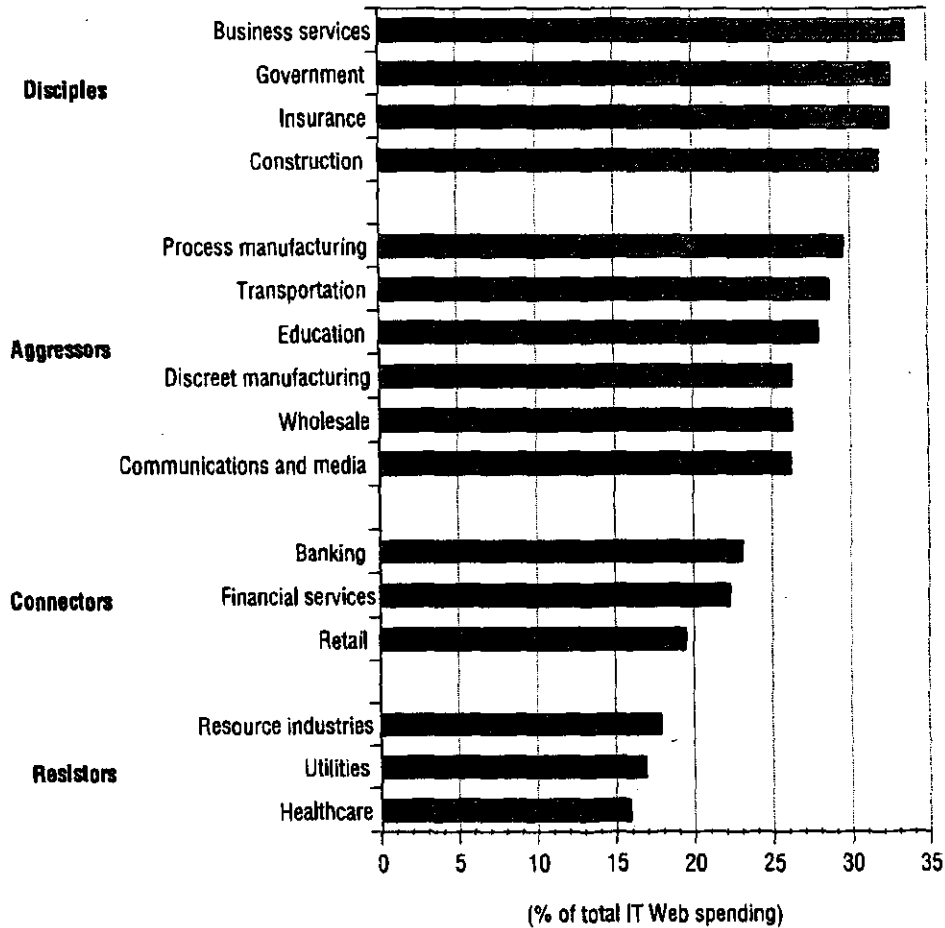
IDC believes that the most significant indicator of industry trends is the changing ratio of Web spending to overall IT spending (refer back to Table 2). This ratio tells how deeply Web technology is penetrating existing, inward-facing IT infrastructures as well as the industry's adoption of outward-facing ebusiness and ecommerce solutions.

An analysis of the forecast for Web spending relative to overall IT spending by vertical industry reveals that U.S. industries fall into four major groups (see Figure 2):

- Web disciples (those spending more than 30% of IT investments on Web solutions in 2003)
- Web aggressors (those spending more than 25% but less than 30% in 2003)

- Web connectors (those spending more than 20% but less than 25% in 2003)
- Web resisters (those spending less than 20% in 2003)

**Figure 2**  
**U.S. Web Spending Trends by Industry Group**



Source: IDC, 2000

#### **Web Disciples**

Web disciples will aggressively increase their spending for both internal and external Web solutions, assimilating Web technology throughout their business processes.

In some industries, such as *insurance* (32.6%) and *business services* (33.6%), which already have significant IT infrastructures, these

spending trends indicate that companies will be undertaking a major integration/conversion of existing applications and supporting systems in the next four years. Simultaneously, they will be investing in Web technologies as part of aggressive efforts to establish a leading public Web presence. *Government* (32.7%), while not directly profiting from ecommerce, will also experience significant changes in both inward-facing and outward-facing IT solutions.

Many companies building their Web infrastructures are developing both internal and external solutions simultaneously. These companies are looking to build both solutions on a common foundation and are in search of a solution that can adequately address internal as well as external needs.

The other major industry in this space, *construction and building maintenance* (31.9%), has different issues. With a few exceptions, the construction industry is currently less IT intense (especially in the back office) than many others, so there are fewer internal systems to deal with. In the future, the critical importance of multicompany project management and collaboration will spur significant investments with a likely emphasis on ASP, business process, and hosting services. Additionally, the rise in the number of marketplaces and portals for this industry will drive further ecommerce adoption.

#### **Web Aggressors**

Web aggressors include many of the most aggressive users of Web technologies for B2B initiatives. They will adopt Web technologies to make improvements in the supply chain and distribution channel; however, they will continue to make significant investment in non-Web IT solutions for core business services.

The two most aggressive industries in this group are *process manufacturers* (29.6%) and *transportation* companies (28.7%). Both of these industries play critical roles in product supply chains. Software and ASP solutions are often developed that integrate existing enterprise resource planning (ERP), materials requirement planning (MRP), and logistics systems with emerging marketplaces and eprocurement sites.

Following closely behind are *discrete manufacturers* (26.3%), *wholesalers* (26.3%), and *communications/media* companies (26.2%). The first two industries are driven by efforts to improve supply-chain efficiency on both the supplier and buyer ends of their business, a complex task that is not likely to fully mature for several years.

Finally, *education* institutions (28.0%) are firmly embedded in the Web adopter group. They are among the earliest adopters of Web technology; however, the diverse needs of this group (private/public and primary/secondary/university) limit overall adoption. IDC expects significant demand for ASP and hosting services by educational institutions below the university level by 2003.

### **Web Connectors**

Web connectors walk a fine line between aggressive Web initiatives and more traditional IT spending. These industries, *banking* (23.1%) and *finance* (22.3%), will be major Web spenders when it comes to outward-facing systems; however, much of their internal IT systems (as these industries are already IT intensive) will not migrate to a Web-based solution anytime in the foreseeable future.

This need to balance the external with the internal and the old with the new will constrain Web spending. The two main characteristics of these industries will be a focus on sophisticated outward-facing systems with strong personalization and security as well as demand for tight integration between existing backend systems and new Internet applications.

*Retail* (while just below the 20% mark) at 19.5% faces many of the same challenges as the other Web connectors; however, the more extreme nature of the contrast between existing point-of-sale (POS) systems and the world of the Internet makes the Web-spending ratio even lower.

### **Web Resisters**

Despite the obvious negative connotations of the word "resistor," industries in this group face a number of barriers that make the use of Web technologies for external spending unwise at this time. In the case of *healthcare* (15.9%), security and privacy concerns limit the usefulness of the Internet.

Despite these limits, healthcare, along with *utilities* (16.9%) and *resource industries* (17.9%) will still make significant investment in Web technologies, but the focus will be more on improving internal processes and partner-to-partner communication.

### **Conclusion**

Many industries that had extremely high Web spending growth rates in the past, are now at a stage where spending has begun to moderate. While it is far too early to say that any industry's Web spending is approaching maturity, many are entering a new period in which the focus is less on experimentation and more on improved performance, better operational efficiency, and integration with existing systems. Conversely, there are industries that will continue to boost spending as they build a new Web presence beyond the world of the consumer and into the world of B2B. In these industries, the evolution of traditional supply-chain management techniques to accommodate eprocurement and emarketplace business models will be the driving force in new Web investments.

Finally, the integration of medium-sized and small businesses across all industries will play a critical role in future Web spending patterns. These companies are not looking to invest in infrastructure, hardware, or software. They are more likely to be consumers of hosting and ASP services.

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**Document #:** 22234  
**Publication Date:** May 2000  
**Published Under Services:** Internet and eCommerce Strategies

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### Shaw's Raises Stake in Self-Checkout Systems

Among the largest and fastest-growing supermarket chains in the Northeast, Shaw's Supermarkets, Inc. attributes its ongoing emphasis on customer service as the driving force behind its continued expansion. In keeping with that tradition, the company announced its intention to install self-checkout systems from NCR Corporation for 30 of its remodeled Shaw's and Star Market stores. Since installing the first NCR system last year in a pilot store, the company has witnessed tremendous response from customers. By granting consumers the convenience of quickly and easily scanning and bagging their own items, the retailer has created a less tedious shopping experience.

Shaw's selected the NCR A-Series after piloting several competing systems. The newest member of the NCR Self-Checkout family, the A-Series provides more space for larger purchases and can be easily modified to include a conveyor belt, allowing shoppers to unload groceries as they begin the self-checkout process. Part of Shaw's overall remodeling strategy has been to create a new, state-of-the-art shopping environment, and the NCR system will help make that happen. Implementation throughout New England is scheduled for completion by February 2002, with three self-checkout lanes per store.

Tired of store-level labor shortages that can severely limit customer service abilities, an increasing number of retailers have implemented self-checkout systems to supplement existing POS operations. Fewer than 100 of these systems were installed in the U.S. as recently as three years ago. Currently, more than 1,000 systems are installed nationwide, and that number is on the rise. In the supermarket sector, where clogged checkout lanes are simply unacceptable, there is a particularly strong case for solutions that maintain POS efficiency throughout the shopping experience, while providing the customer service levels shoppers have grown to expect.

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January 15, 2001, Monday

SECTION: FINANCIAL NEWS

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LENGTH: 834 words

**HEADLINE:** Found, Inc. and MerchantWired Announce Strategic Partnership;  
Agreement Allows Retailers to Most Effectively Integrate Their Multi-Channel Assets**DATELINE:** SAN FRANCISCO and CHICAGO, Jan. 15**BODY:**

Found, Inc., an e-infrastructure technology solution provider leveraging the Internet to create efficiencies for retailers and manufacturers throughout the supply chain, and MerchantWired, a technology solution and managed network infrastructure provider for the retail industry today announced a strategic partnership. The announcement was made today at the National Retail Federation Show in New York. The partnership will leverage MerchantWired's top-quality, high speed technology infrastructure and Found's ICaM (Integrated Clicks and Mortar) Solution(TM) to provide retailers the opportunity to enhance revenue and decrease costs by effectively integrating their online and offline businesses.

The agreement demonstrates Found's and MerchantWired's commitment to set the retail industry technology standard for the future of multi-channel retailing. The companies will jointly sell and market the ICaM solution and the MerchantWired services to retailers in malls and freestanding locations in the MerchantWired network, which includes property owners such as The Macerich Company, The Rouse Company, Simon Property Group, Taubman Centers, Inc., Urban Shopping Centers, Inc., and Westfield America, Inc.

"For years, retail analysts have been talking about the true integration of online and offline operations in the retail industry. Now, through the high-speed, highly reliable network that MerchantWired offers, technology innovators can offer retailers a more dynamic set of applications and solutions, which will make this type of integration a reality," said Richard Lawson, president and CEO of Found.

ICaM is complemented with MerchantWired's scalable and reliable network designed specifically for the retail industry. MerchantWired extends ICaM's functionality into in-store POS terminals and kiosks, in-mall kiosks, handheld wireless devices, and other consumer or retailer-based applications that benefit from the MerchantWired network. Found also will utilize MerchantWired's co-location services to help manage the ICaM Solution.

"Found's inventive ICaM technology, is about making supply chain and inventory management more efficient. At MerchantWired, we also are dedicated to the same level of efficiency, cost effectiveness, and service," said James Giuliano, III, president and CEO of MerchantWired. "We believe that this partnership enhances MerchantWired's total technology solution for retailers and demonstrates our companies' commitment to the industry."

The alliance is already beginning to help retailers in malls and shopping centers across the country. National companies such as The Finish Line have begun to benefit from this partnership between MerchantWired's network and the ICaM Solution.

About Found, Inc.

Found is an innovative e-infrastructure solution provider that utilizes the Internet to create dramatic efficiencies for offline retailers and manufacturers throughout the supply chain. Found's ICaM (Integrated Clicks and Mortar) Solution(tm) helps traditional offline companies rapidly and cost-effectively allow their customers to

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search for, locate and purchase products online or offline from their regional distribution centers or local retail stores. Found technology also provides offline partner companies the ability to more effectively monitor and react to geographically relevant real-time product movement within the supply chain. Found is a privately held company based in San Francisco. For more information, visit [www.found.com](http://www.found.com).

#### About MerchantWired

MerchantWired ([www.merchantwired.com](http://www.merchantwired.com)) is an extranet network that is specifically designed in conjunction with a coalition of the country's leading property owners and infrastructure companies to meet the specific needs of retailers as they integrate their on-line and off-line assets. MerchantWired was founded in 1999 by retail industry experts who understand the specific infrastructure needs of retailers. Providing unparalleled customer service and a unique technology infrastructure, MerchantWired is creating the technology platform that will revolutionize the retail industry. Working with a coalition of property owners including The Macerich Company (NYSE: MAC), The Rouse Company (NYSE: RSE), Simon Property Group (NYSE: SPG), Taubman Centers, Inc. (NYSE: TCO), Urban Shopping Centers, Inc. (NYSE: URB), and Westfield America, Inc. (NYSE: WEA), MerchantWired is defining the retail infrastructure standard for the industry. MerchantWired also has strategic alliances with infrastructure partners like AT&T, Cisco Systems, Inc., IBM, and Intermedia Communications.

SOURCE Found, Inc.

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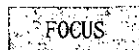
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November 8, 2000, Wednesday

DISTRIBUTION: Business Editors

LENGTH: 645 words

HEADLINE: Finish Line Selects MerchantWired as Infrastructure Platform and Long-Term, Scalable Technology Solution

DATELINE: Nov. 8, 2000

**BODY:**

MerchantWired ([www.merchantwired.com](http://www.merchantwired.com)), a full-service network that is setting the standard for the retail industry, today announced that Finish Line (NASDAQ: FINL) has selected MerchantWired as its broadband infrastructure provider for the national chain of Finish Line stores.

MerchantWired plans to connect Finish Line's network of stores nationwide by mid-summer 2001.

"After discussing our technology infrastructure goals and objectives, MerchantWired provided us with a solution specifically designed to meet our network demands. They created a comprehensive, customized package to help Finish Line grow its business," said Don Courtney, Executive Vice President of MIS for Finish Line. "MerchantWired was the only provider that is able to offer us the reliability and scalability we need."

MerchantWired is dedicated to establishing the standard for retail networks, providing complete packaged solutions shaping the future of the retail industry. The broadband infrastructure that MerchantWired is providing Finish Line is only the first of a suite of value added services to be offered to the retail industry. Finish Line will immediately use MerchantWired to improve and streamline their data communications and will add to that in 2001 some of MerchantWired's core offerings. Those core offerings for retailers include: internet provider in mall network, secure managed network services, secure access to the Internet, voice over IP infrastructure in the store, and redundant WAN infrastructure connecting retailers with their home offices, business partners, and customers. MerchantWired also will conduct ancillary installation work for Finish Line including phone audits and demarc extensions.

"MerchantWired believes this partnership not only helps Finish Line expand its services through integrated technological solutions, but also it helps MerchantWired get a better understanding of the kinds of offerings retailers across the country need to meet the demands of their customers," said Jim Giuliano, III, President and CEO of MerchantWired. "We are eager to begin our partnership with Finish Line and look forward to helping them better integrate technology into their business."

**About MerchantWired**

MerchantWired is an extranet network that is specifically designed in conjunction with a coalition of the country's leading property owners and infrastructure companies to meet the specific needs of retailers as they integrate their online and offline assets. MerchantWired was founded in 1999 by retail industry experts who understand the specific infrastructure needs of retailers. Providing unparalleled customer service and a unique technology infrastructure, MerchantWired is creating the technology platform that will revolutionize the retail industry. Working with a coalition of property owners including The Macerich Company (NYSE: MAC), The Rouse Company (NYSE:

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RSE), Simon Property Group (NYSE: SPG), Taubman Centers, Inc. (NYSE: TCO), Urban Shopping Centers, Inc. (NYSE: URB), and Westfield America, Inc. (NYSE: WEA), MerchantWired is defining the retail infrastructure standard for the industry. MerchantWired also has strategic alliances with infrastructure partners like Cisco Systems, Inc., IBM, and Intermedia Communications. For more information visit [www.merchantwired.com](http://www.merchantwired.com).

#### About Finish Line

The Finish Line currently operates 435 stores in 42 states and carries all brands of athletic footwear for men, women and kids plus a wide assortment of athletic apparel and accessories. Finish Line is publicly traded on the NASDAQ National Market under the symbol FINL.

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July 7, 2000, Friday Surveys REAL

SECTION: SURVEY - REAL ESTATE &amp; THE NEW ECONOMY; Pg. 2

LENGTH: 964 words

**HEADLINE:** SURVEY - REAL ESTATE & THE NEW ECONOMY: Death of shopping mall exaggerated: RETAIL by David Lawson: It has been predicted that internet shopping will hit retail properties, but they may be developing a healthy relationship

**BYLINE:** By DAVID LAWSON

**BODY:**

It is unlikely that many retail landlords found time to attend the Information Technology World Congress in Taiwan early last month, but perhaps such events should be given priority in future. IT dominates predictions about investors with billions tied up in malls and high streets.

They must not expect a clear and simple message, however. "Sell your shopping centres," Lester Thurrow, a professor at MIT's Sloan School of Management, warned in Taiwan. "Half the stores in America will be closed within 10 years as buyers move to the internet."

Yet only a few weeks earlier the opposite view emerged from another world congress, this time held in New York by the International Development Research Corporation. Web enthusiasts have predicted doom for years, yet the opposite is happening, said Dennis Yeskey, of Deloitte & Touche Real Estate. Gateway is opening 400 computer stores across the US and Amazon plans a series of bricks-and-mortar outlets.

Many European investors are just as sceptical. "A decade ago you would have predicted the end of traditional centres if 30 per cent of their business was drawn out of town," says Martin Barber, chairman of retail investor Capital & Regional, yet such an exodus "is exactly what has happened".

Even when a leading retail chain such as C&A pulls out, closing more than 100 stores across the UK, queues of other retailers fight to take over its space in good locations.

That does not mean landlords have ignored the enormous potential impact of new technology. In fact, some of the leading investors are embracing it enthusiastically in a bid to protect their assets. A group of the biggest US operators - Simon Property, Macerich, Rouse, Taubman, Westfield and Urban Shopping Centres - have created MerchantWired, a partnership with top technology suppliers aimed at equipping malls for the 21st century.

They will be "wired" with broadband communications facilities for linking stores with suppliers and customers. This promises the capacity for online shoppers - often put off by the "world wide wait" - and improving the efficiency of supply chains.

The plans go beyond fast communications, however. "This will open the door to generating extra value, such as selling utilities to tenants and collating data on shoppers. It is a revolutionary move," says one Wall Street analyst.

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Simon is also planning another approach by teaming up with Turner Broadcasting to create entertainments which will keep its 100m shoppers coming in the door. The partners have hired Edwin Schlossberg, a New York firm which designs and produces sports and live entertainment, to launch multi-media events later this year which will also be broadcast by Turner.

General Growth Properties, the second largest US owner of regional malls, is testing a web service on a Missouri centre which meets e-tailers head on. It enables shoppers to buy online from any store and then either drop in to collect purchases or have them delivered.

The company says this will help smaller stores in its malls which cannot afford to set up e-commerce sites. The landlord can also use its financial muscle to organise credit-card transactions, bundling together purchases from several stores into a single bill.

Merging conventional shopping into the web - already dubbed "clicks and mortar" - will be a crucial factor in the evolution of internet shopping, Ken Cassar, a Jupiter Communications analyst, told a US conference earlier this year. A physical presence to "touch and feel" - or return - goods was a key issue for shoppers, he said. The internet could become more important as a marketing tool, drawing in shoppers to physical stores, than as a revenue generator from online sales.

Many Europeans stand back agog at the US-based revolution. "This sort of technology is not cheap and retail ownership is much more fragmented than in the US," says Vince Prior, head of European retail at Jones Lang LaSalle.

Even internet-friendly regions like Scandinavia are trailing because investors are not in the same league as an operator like Simon, which has hundreds of outlets. Meanwhile, countries such as Germany and France feel under less pressure from online shopping because credit cards are used much less than the US.

The UK is probably 18 months ahead of the rest of Europe and running the US a close second, however. The industry will be closely watching The Printworks, a retail and leisure centre in Manchester, due to open this autumn. It was "wired" with broadband connections as part of a wider project to enhance internet services in the city and has ambitious plans for a promotional web site. Even the leases could be wired, dividing the spoils of sales generated on the internet between retailer and landlord.

Others are also considering following the US lead. "We are the group that launched Egg as an online service, so we are well aware of the possibilities," said Chris Taylor, director of investment at Prudential Property Portfolio Managers.

The Pru is keeping an eye on the way groups such as Simon are leveraging extra income through sponsorship, advertising, or helping tenants drive sales. Each of the Pru's 23 centres across the UK has a website to promote tenants. New technology has already played a significant role via the latest development by the fund, Cribbs Causeway, in Bristol. PPM is able to track sales through computers which link returns from retailers tills.

This kind of sales analysis is crucial for the future of shopping centres, according to Martin Barber of Capital & Regional. He sees the whole tenor of real estate changing, not just because of the internet but the need for this kind of scientific management to compete in an era of low-inflation and increased competition.

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